

# Alabama Claims the Prize

**Robust work-force training and a cooperative approach to recruiting investors means the Third Annual Competitiveness Award is in for some southern hospitality.**

by MARK AREND

Governors are naturally proud of big economic development wins for their states, and Alabama Gov. Bob Riley is no exception. When **MeadWestvaco** announced in September 2004 a US\$10-million expansion in rural Lanett, on the Alabama-Georgia border, Riley noted, "What makes this expansion even better is knowing that this plant won the competition for these [55] new jobs over locations in Atlanta and Chicago. But the fact that it is happening here in small town Alabama proves we can compete on any economic playing field and win."

That's more than mere bombast. Just six months later, in March 2005, the editors of *Site Selection* ran the numbers to determine which state-level economic development agency would claim the 2004 Competitiveness Award, now in its third year. Gov. Riley's declaration rang true - the Alabama Development Office claims the prize, earning 123 points in a 10-category index of business expansion activity based largely on new and expanded facilities tracked by Conway Data and *Site Selection's* proprietary New Plant database.

Projects qualifying for inclusion in the database meet one or more of these criteria: a minimum capital investment of \$1 million, generation of 50 or more new jobs and new floor space of at least 20,000 sq. ft. (1,860 sq. m.).

## How to Compete

Among the 10 criteria used in the indexing system are four per-capita measures. These help ensure that all states - the heavily populated, such as California, and the less-populated, such as North Dakota - have the same shot at competing for the award. The criteria used are:

- Total new and expanded facilities per one million population in 2004;
- Total capital investment in new and expanded facilities per one million population in 2004;
- Total new jobs created at new and expanded facilities per one million population in 2004;
- Total actual number of new and expanded facilities in 2004;

- Percentage growth in new and expanded facilities from 2003 to 2004;
- Three-year growth change (from 2001 to 2004) in new and expanded facilities;
- Ranking in *Site Selection's* annual business climate survey;
- Number of top 100 metros in the annual ranking of top metros;
- Number of top 100 small towns in the annual ranking of small towns; and
- Number of 100-plus-job projects per one million population in 2004.

States must rank in the top 20 of a given category in order to be a candidate in that field. The top 20 states in each category are given points according to their rank, with the top state getting the most points. The competing states' total points are then added together for a final score. The top 10 states are listed in the box.

## Catalyst for Competition

"We are building off an economic base that really began in the mid-1990s with Mercedes-Benz choosing to come to Alabama," says Neal Wade, Director of the Alabama Development Office (ADO). "Since that time, we have been very fortunate to compete for some other projects - not just in the automotive sector, but aerospace, general manufacturing and a number of other sectors that have led us to this point."

Alabama competed for - and won - projects both from out of state and in-state, in the case of a company considering alternative locations for an expansion. In the case of the former, Indiana-based North Vernon Industry Corp. is investing \$60 million in a 350,000-sq.-ft. (32,500-sq.-m.) plant in Cullman (see the Top Groups report in this issue), which will produce gray iron castings for heavy industrial applications. The Alabama operation will be known as Cullman Casting Corp.

"Several things were important to winning that project, and one is that they were very comfortable with the community and its leadership," says Wade. "There seemed to be a spark between the company and the local officials. They and we [from ADO] visited their headquarters in Indiana and spent some time with them. I'm not sure everyone else competing did that.

"In addition to some incentives," adds Wade, "the company's level of comfort with the community made a difference. Many times, relationships end up being an important part of the process. It's not always the tipping point, but it certainly helps you get to the point where you can put something like incentives in that is the tipping point."

Just as important to Wade and his economic development team is keeping Alabama operations in Alabama. Video rental chain Movie Gallery, based in Dothan, Ala., was looking to expand and site a distribution center - out of state. "We were very aggressive in putting incentives on the table at the state and local levels," says Wade. "Our belief was that we must make sure we help our existing industries expand in the state. We didn't want to read that Movie Gallery had moved out of Alabama. We ended up winning that project, and we were very pleased to keep that one in the state."

## **Spreading the Wealth**

In 2004, Alabama won no "mega-projects," but it won projects all over the state, Wade points out. "When the governor came into office, he wanted to widen the playing field beyond the region along Interstate 65, which is where the growth has been. We have been focusing on bringing other sites and other communities into play that had not been serious competitors for a lot of these projects."

For example, up to 500 new jobs are planned for Muscle Shoals, in the northwest corner of Alabama, where Walgreens Health Initiatives will open a customer-contact center. The projected annual payroll at the center is \$7.5 million.

In the northeast corner, Lozier Corp. is expanding its manufacturing capacity to 277,000 sq. ft. (25,700 sq. m.). The company, which manufactures storage shelving and wood products for retailers, purchased a building formerly owned by Pillowtex.

In Macon County, east of Montgomery, Halla Climate Systems Alabama has just opened a 140,000-sq.-ft. (13,000-sq.-m.) plant in Shorter, where it will manufacture heating and air conditioning systems for Hyundai's Santa Fe and Sonata models. And Marshall County, in northern Alabama, is the location of a new poultry processing facility for AlaTrade Foods that will create up to 650 new jobs when the plant reaches full capacity.

"The second thing we enjoyed in 2004 was the growth of the automotive supplier [investment] that came with the three plants that came in before Hyundai," says Wade. "And, of course, as Hyundai came into play, it was able to attract a number of suppliers, especially in middle and south Alabama. That helped us create some new jobs, but it brought investment to areas that had not had much in the past."

Besides the Halla Climate Systems project, Fleetwood Metal Industries is investing \$9 million in a new metal stamping operation in Sylacauga, southeast of Birmingham. The facility will supply Honda's Lincoln, Ala., plant, where the Odyssey minivan is assembled. And Pell City, due east of Birmingham, is where German manufacturer Eissman GmbH is building a \$1.5-million plant where it will produce leather components for the interiors of the Mercedes-Benz M-Class vehicles, which are built in Tuscaloosa County.

## **Deal Closers**

Whereas some states can compete for projects with large pools of "close-the-deal" funds, such as Texas' Enterprise Fund, Alabama emphasizes other competitive advantages, which in 2004 clearly made a difference.

"We have built very strong partnerships between the Alabama Development Office and the regional and corporate and local partners both in terms of marketing the state and how we incentivize projects coming to the state," says Wade. "We can be much more successful if we utilize the corporate dollars, the local dollars and the state dollars in a coordinated fashion to win these projects."

A Capital Improvements Trust Fund is a state-level incentives fund for helping close some deals, but Alabama's work-force training resources tend to get more attention.

"What we keep hearing from CEOs and other business leaders looking to expand is, 'We can find a site anywhere, but it's finding a trainable work force with a strong work ethic that is the difficult part,'" says Wade.

The Alabama Industrial Development Training program, part of the state's two-year college system, has developed customized training programs for more than 200,000 workers at more than 3,500 organizations.

"We can show that we can provide the kind of workers these companies need and that the work ethic is strong," says Wade. "Honda, Mercedes and Toyota have already doubled in size from their initial investment. That's the best economic development marketing we can have."